

## TEXTILES

### Sector Impact - Neutral

#### Background

- Textile industry is one of the biggest employers in the country, with a share of around 4% in the GDP and around 11.5% in foreign exchange earnings.
- Export quota abolition by the US and Europe in January 2005 provided huge export opportunities to India. Exports grew from US\$13.5 billion in FY2004 to US\$22.13 billion in FY2008 with a growth of 15.59% in FY08 alone. However, global economic slowdown translated into a decline in exports in FY09. As per the provisional data published by the Directorate General of Commercial Intelligence and Statistics, Kolkata, India's textiles exports declined by 5.45% to US\$20.94 billion during FY09 as compared to US\$22.15 billion during FY08. Exports amounted to US\$9.43 billion during April-September 2009; recording a steep fall of 15.5% period as compared to same period last year.
- Projects worth Rs.557 billion were sanctioned under Technology Up-gradation Fund Scheme (TUFS) in FY09, significantly higher as compared to Rs.199 billion in FY08. However, in the first six months of FY10, projects worth only Rs.70 billion were sanctioned under TUFS as compared to Rs.186 billion sanctioned during the same period last year. Weak demand, high leverage and paucity of funds translated into slowdown in expansion and modernization projects by the industry.
- Improvement in demand from domestic market has, however, led to increase in production across the textile product categories during April-December 2009 period as compared to the same period in the previous year. Man-made fibre, man made filament yarn and spun yarn production increased by 22.3 per cent, 10.3 per cent and 5.1 per cent, respectively while the total cloth production (excluding Khadi, wool and silk) increased by about 10.1 per cent during the said period.

#### Budget Proposals

1. Interest subvention of 2% on pre shipment credit extended upto March 31, 2011 from the existing deadline of March 31, 2010.
2. One-time grant of Rs.200 crore to Government of Tamil Nadu towards the cost of installation of zero liquid discharge system at Tirupur to sustain knitwear industry.

3. An extensive skill development programme in the textile and garment sector to be launched in association with the textile ministry to train 30 lakh persons over five years.
4. Allocation of Rs.2,400 crore for Technology Upgradation Fund Scheme (TUFS), Rs.400 crore for integrated textile parks, Rs.426 crore for handlooms, Rs.286 crore for handicrafts and Rs.320 crore for sericulture.
5. Excise duty on man made fibre and yarn increased to 10% from 8%.

### Duty Structure

(%)	Existing	Proposed
<b>CUSTOMS DUTY</b>		
• Raw Cotton <sup>^</sup>	0	0
• Cotton Yarn <sup>^*</sup>	10	10
• Manmade Fibre <sup>*</sup>	5	5
• Manmade Yarn <sup>*</sup>	5	5
• Cotton fabric <sup>*</sup>	10	10
• Manmade Fabric <sup>*</sup>	10	10
<b>EXCISE DUTY</b>		
• Raw Cotton	4#	4#
• Cotton Yarn	4#	4#
• Manmade Fibre	8	10
• Manmade Yarn	8	10
• Manmade Fabric	8	10

Excluding:

2% Education cess and 1% secondary & higher education cess

<sup>^</sup>Special CVD 4%, <sup>\*</sup>CVD 4%, #optional

### Budget Impact: Industry

1. There were not many measures announced in the Budget pertaining to the industry; however, higher allocation for TUFS will help in clearing the backlog of interest subsidy as well as provide further fillip to expansion and modernisation initiatives.
2. Continuation of interest subvention of 2% to provide relief to the exporters reeling under the pressure of Rupee appreciation.
3. Allocation towards handloom and handicrafts sectors will facilitate further investments and modernisation initiatives in these sectors leading to their overall development.

**Budget Impact: Companies**

Company	Products	% of Sales	Applicable Proposals	Overall Impact
Raymond Ltd.	Worsted Fabric Garments	73 4	5	◄►
Alok Industries	Apparel Fabric Home Textile Texturised Yarn Garments	53 17 21 5	1,4,5	◄►
Welspun India	Home Textiles	100	1,4,5	◄►
Garden Silk Mills	Polyester Chips Polyester Yarn Fabric/Garments	42 49 08	5	◄►

**Legends:**

▲▲	Highly Positive	▼	Negative	◄►	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals